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September 21, 2007

Mercer's 2006 National Survey of Employer-Sponsored Health Plan Results

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Rhode Island Business Group on Health

Services provided by Mercer Health & Benefits LLC

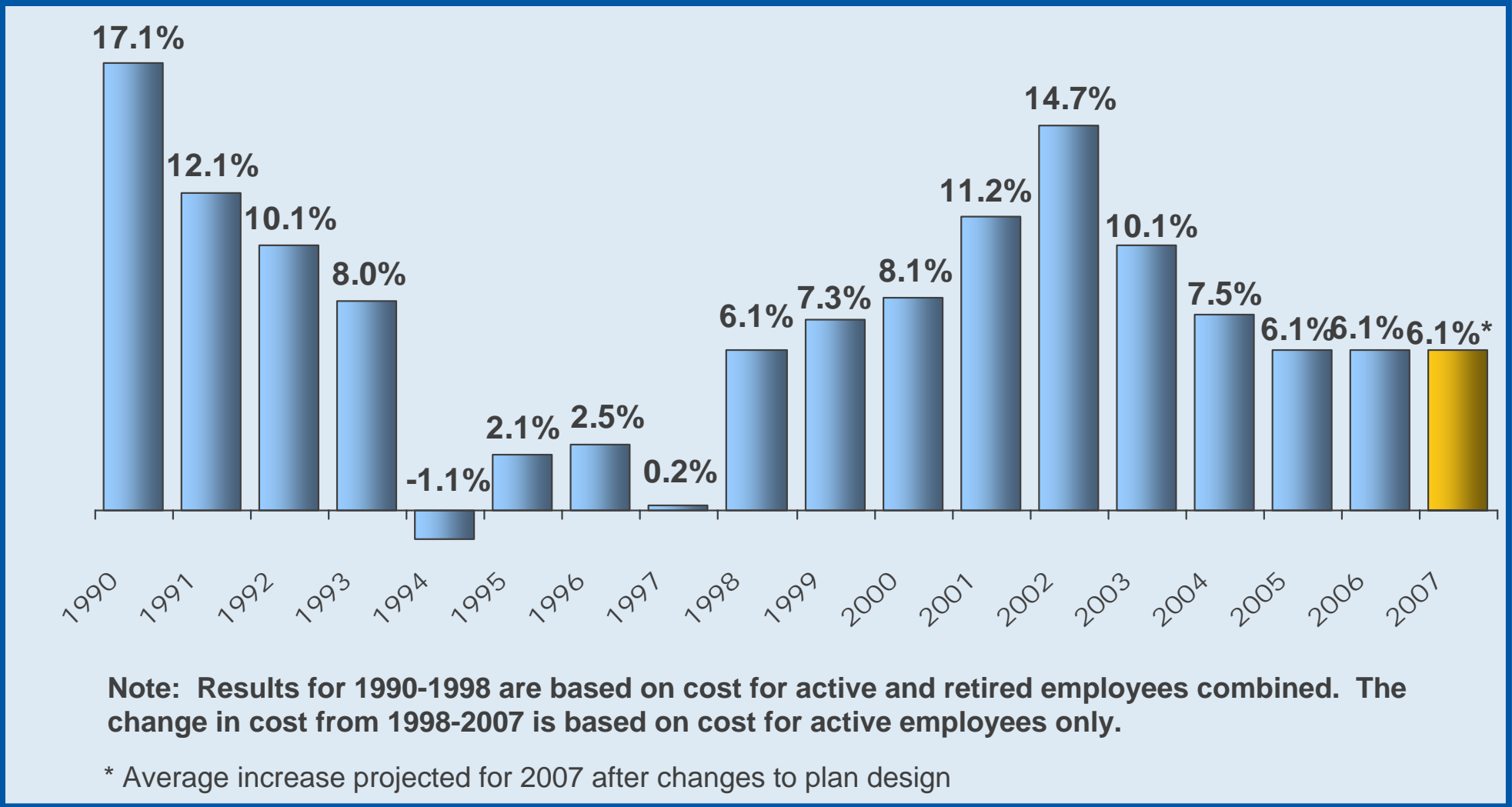


About the survey

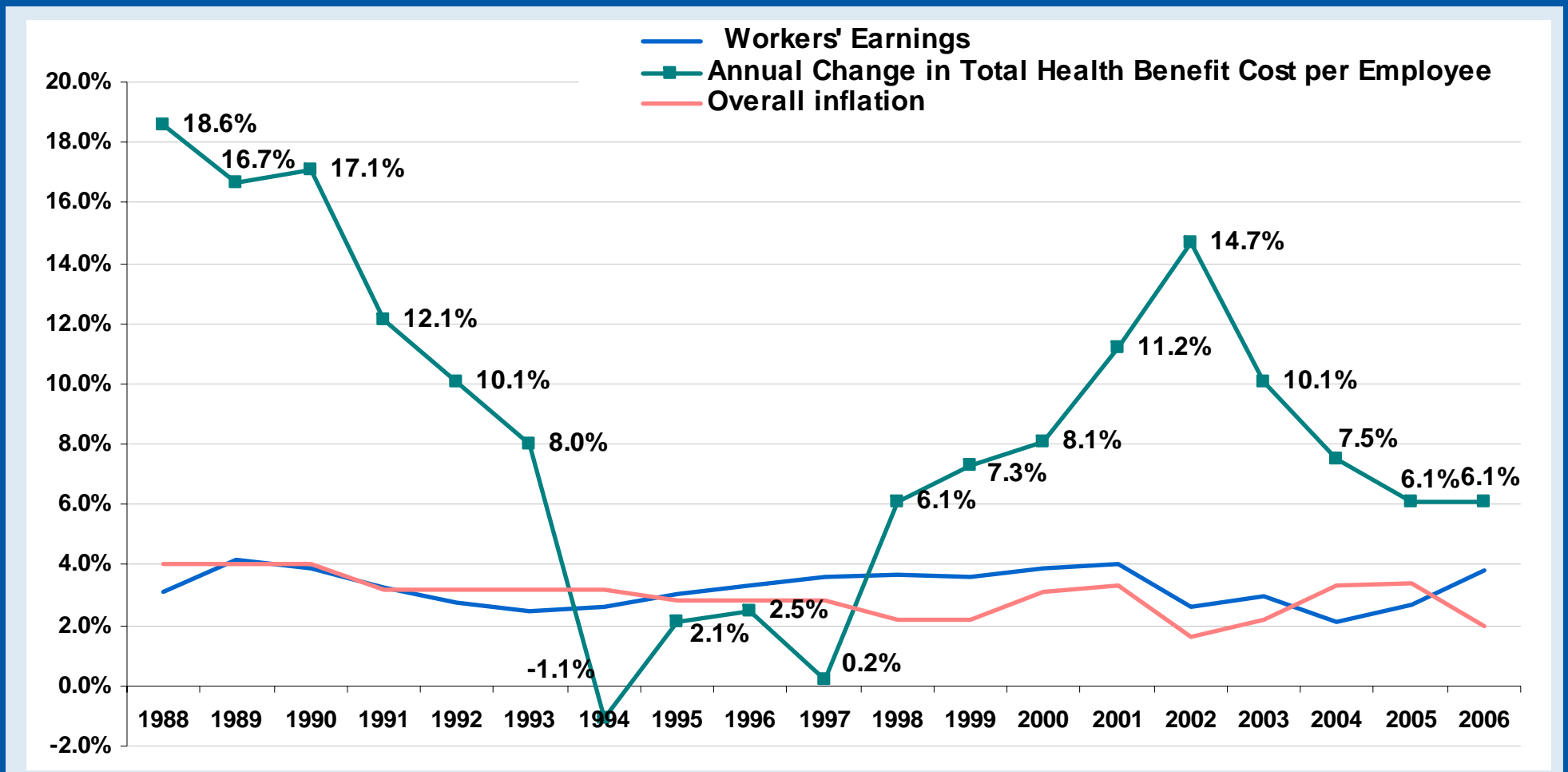
- Largest and most comprehensive annual survey
- Established in 1986, national probability sample used since 1993
- Almost 3,000 employers participated in 2006
 - 154 employers in New England
 - 86 with 500+ employees; 10 in Rhode Island
- All employers with 10 or more employees are surveyed; size groups examined separately in this presentation include:
 - Small employers – 10-499 employees
 - Large employers – 500+ employees
 - Jumbo employers – 20,000+ employees

Annual change in total health benefit cost from 1990-2007

Cost growth levels off at 6.1%



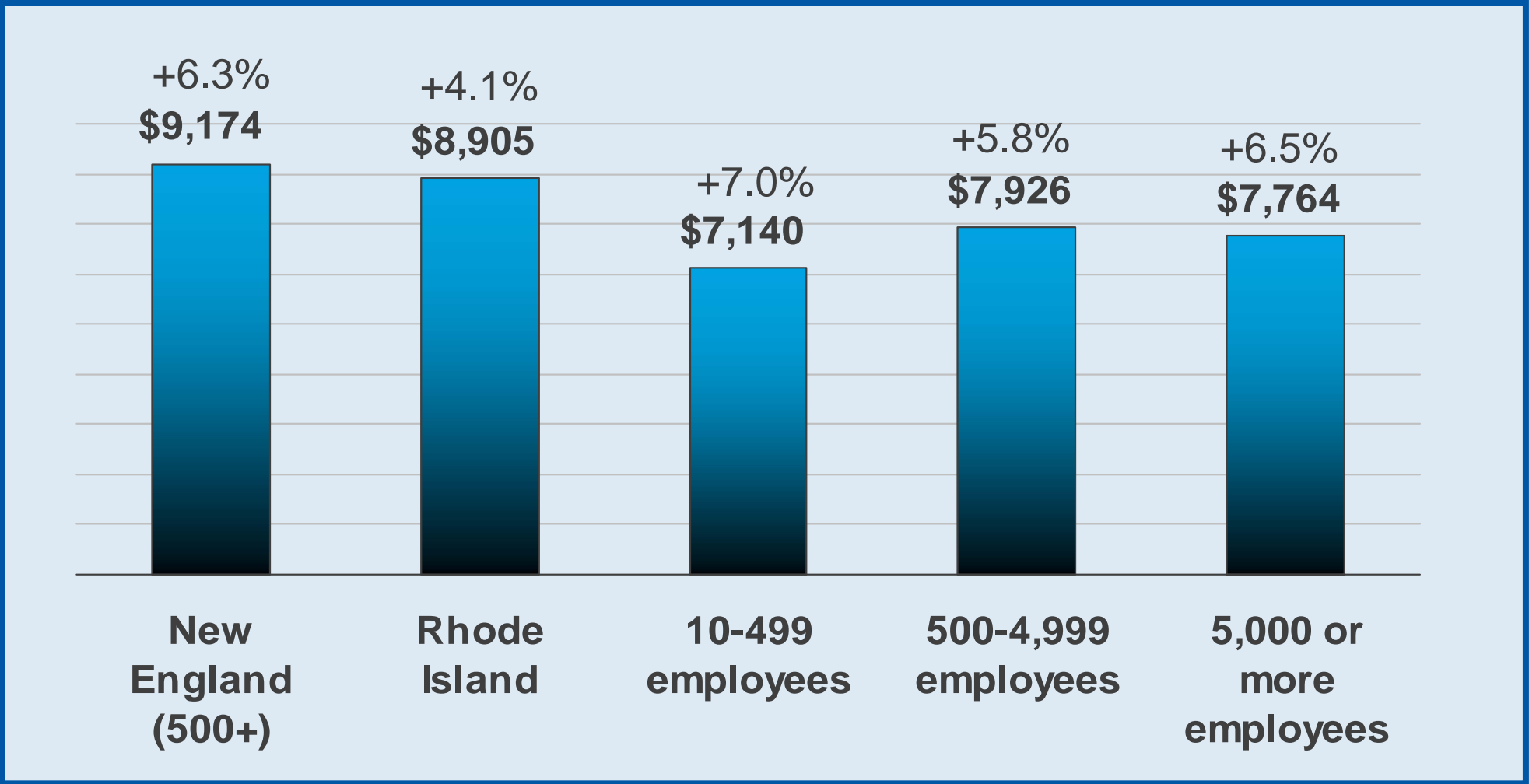
Total health benefit cost change vs. workers' earnings and general CPI, 1988-2006



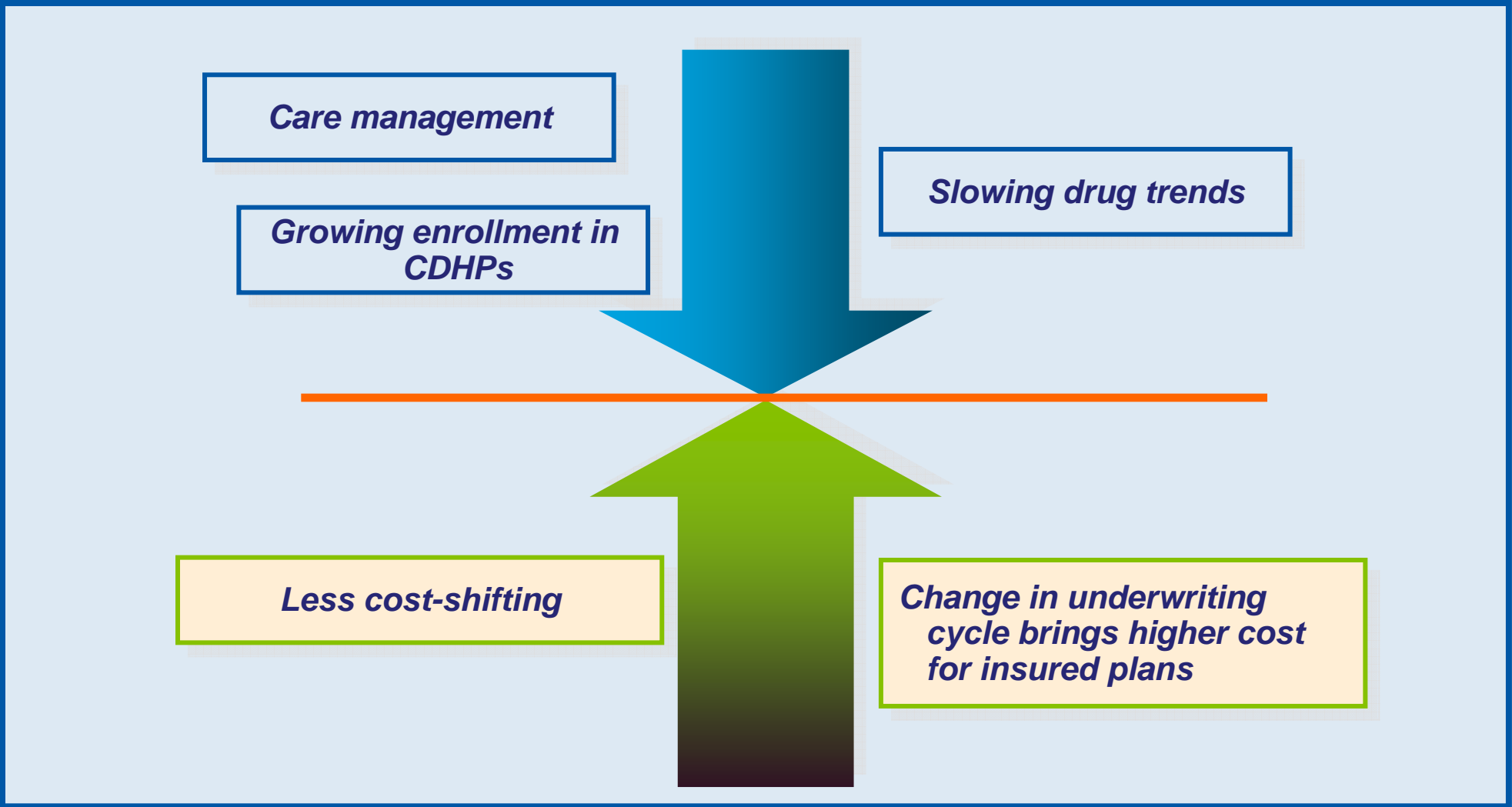
Source: Bureau of Labor Statistics; Seasonally-Adjusted Data from the Current Employment Statistics Survey

Total health benefit cost for 2006, by employer size

More moderate increases seen for mid-sized and large employers

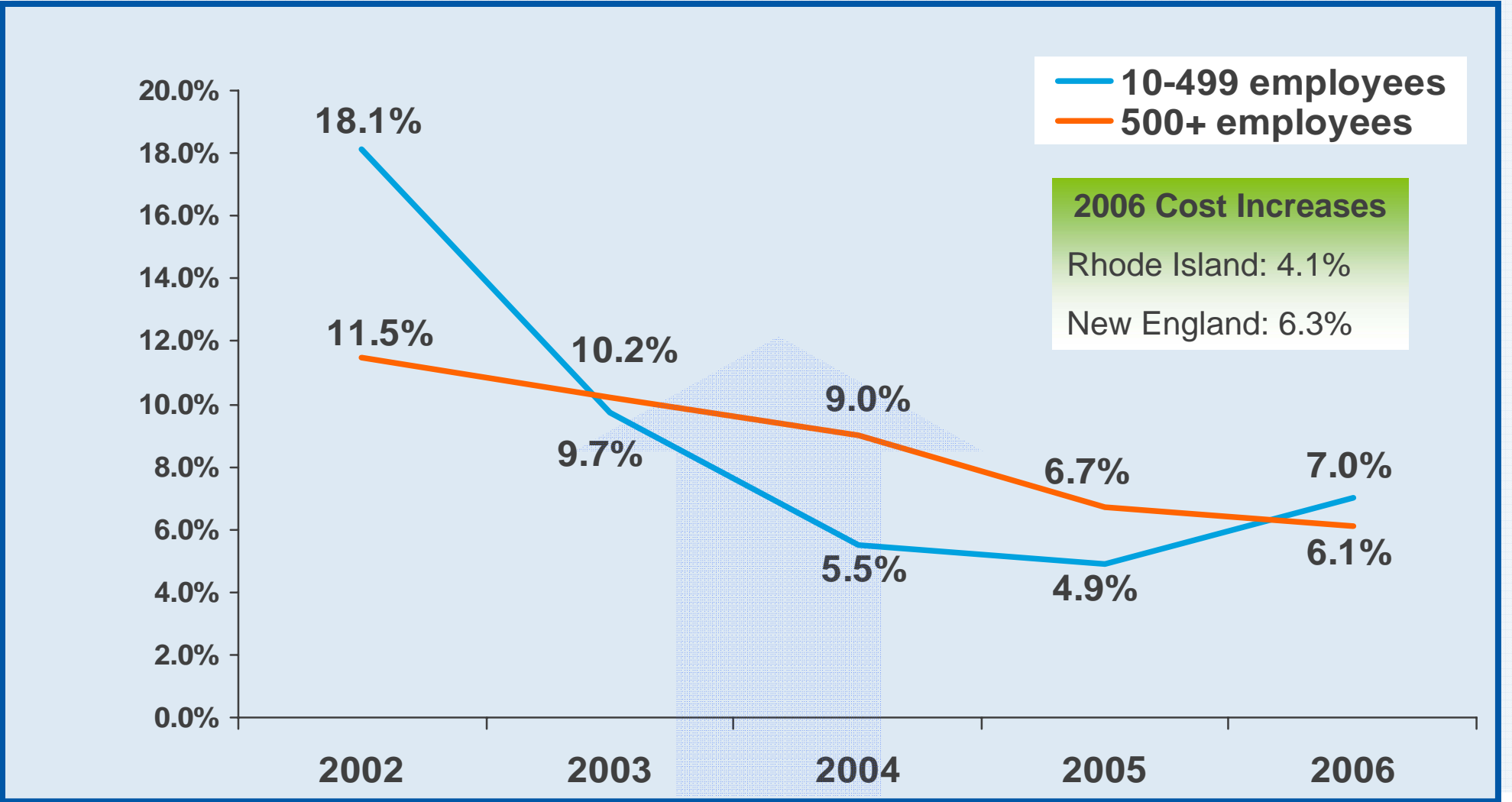


Upward and downward pressures on cost in 2006





Cost jumps for smaller employers

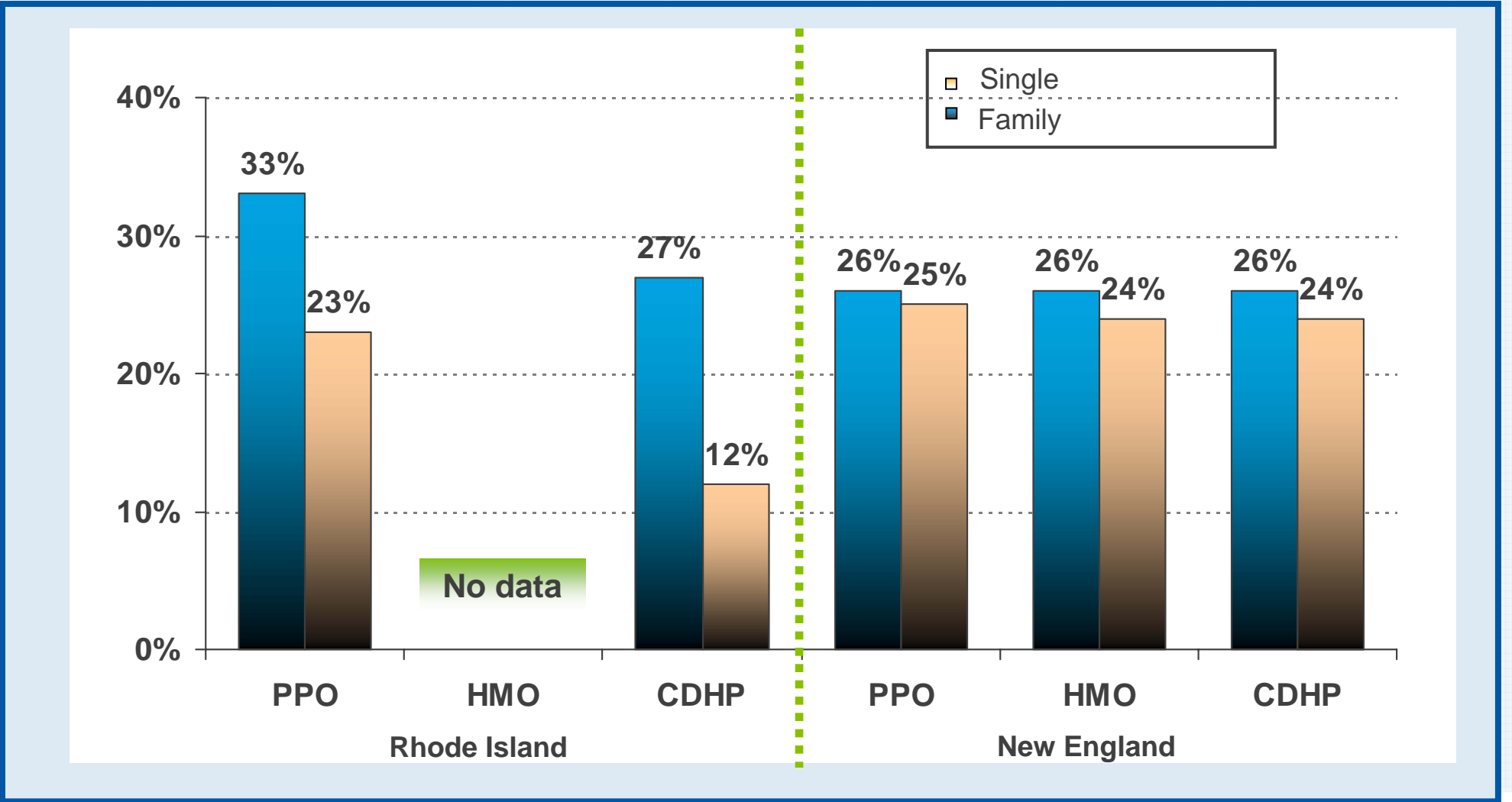


Cost-shifting slowed in 2006, especially among mid-sized employers

	2005	2006	Rhode Island
10-499 Employees			
▪ Require in-network PPO deductible	80%	79%	56%
▪ Median PPO deductible amount (Net/Non-net)	\$500/\$600	\$500/\$1,000	\$250/\$500
▪ Require PPO deductible of \$1,000 or more	34%	39%	N/A
▪ Average HMO physician office copay	\$18	\$19	\$15
New England			
500+ Employees			
▪ Require in-network PPO deductible	79%	74%	45%
▪ Median PPO deductible amount (Net/Non-net)	\$300/\$500	\$300/\$500	\$300/\$400
▪ Require PPO deductible of \$1,000 or more	9%	9%	N/A
▪ Average HMO physician office copay	\$15	\$15	\$15

Cost sharing

Employee contribution percentages



Cost sharing

Monthly contribution rates

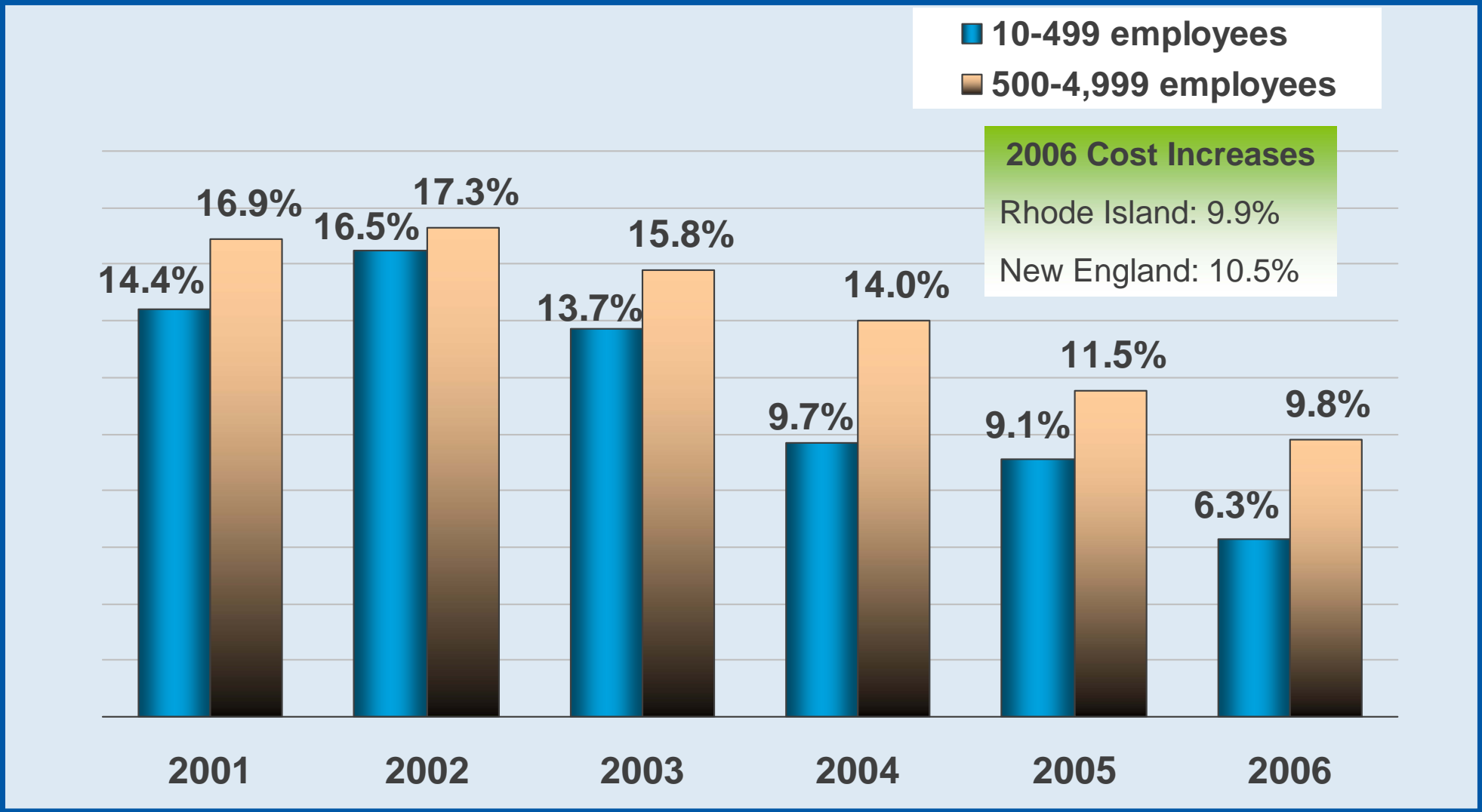
	Rhode Island			New England			National		
Tiers	PPO	HMO	CDHP	PPO	HMO	CDHP	PPO	HMO	CDHP
Single	\$82	\$ID	\$50	\$104	\$81	\$76	\$85	\$76	\$50
Family	\$349	\$ID	\$276	\$312	\$245	\$228	\$289	\$278	\$228
Enrollment	95%	0%	1%	85%	60%	19%	61%	26%	19%

- **Rhode Island POS plan enrollment: 4%**
- **POS contributions: \$93 Single/\$229 Family**

Note: Based on large employers 500+lives.

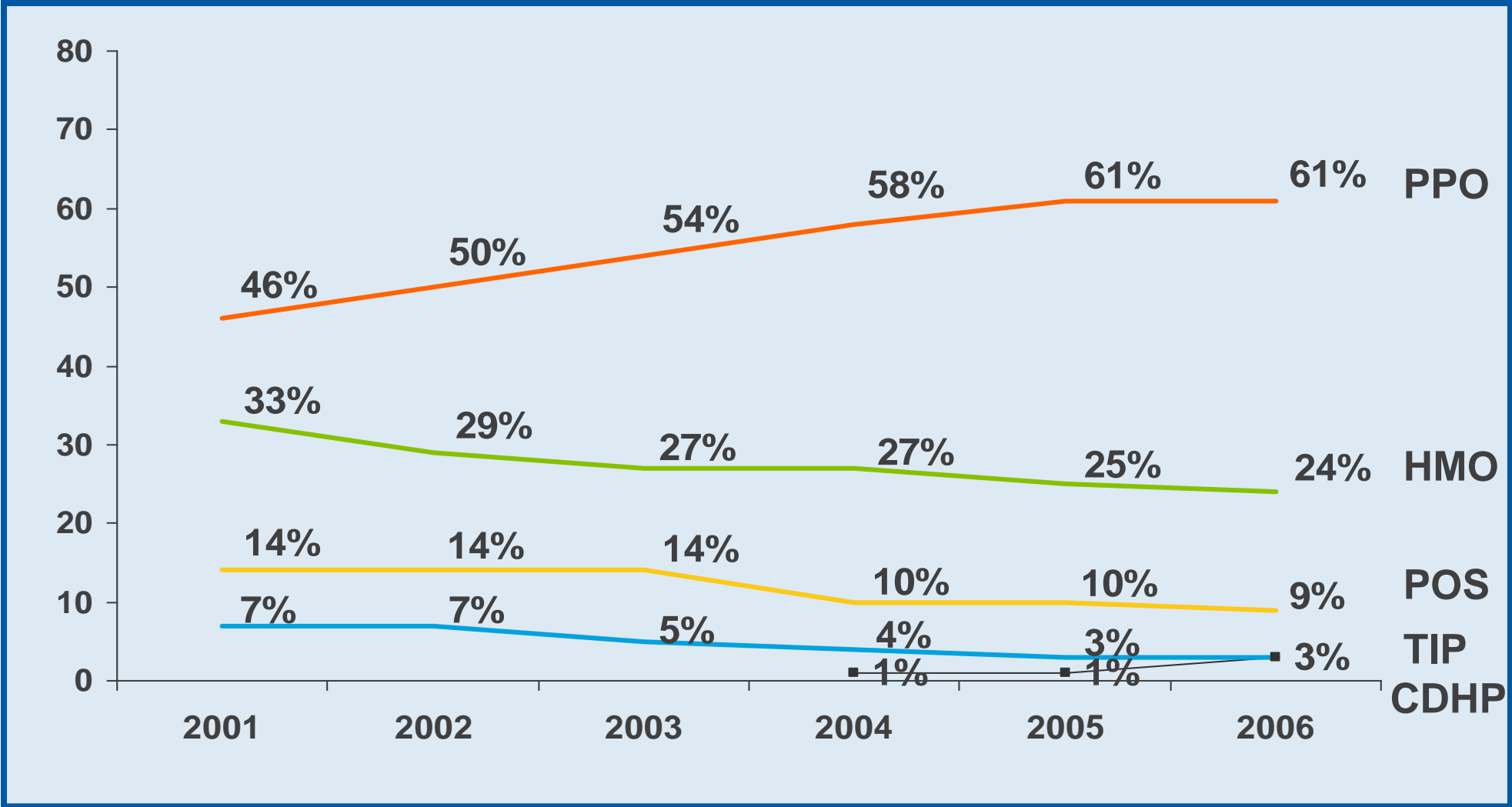
Prescription drug benefit cost increase continues to slow

Cost increase in primary medical plan



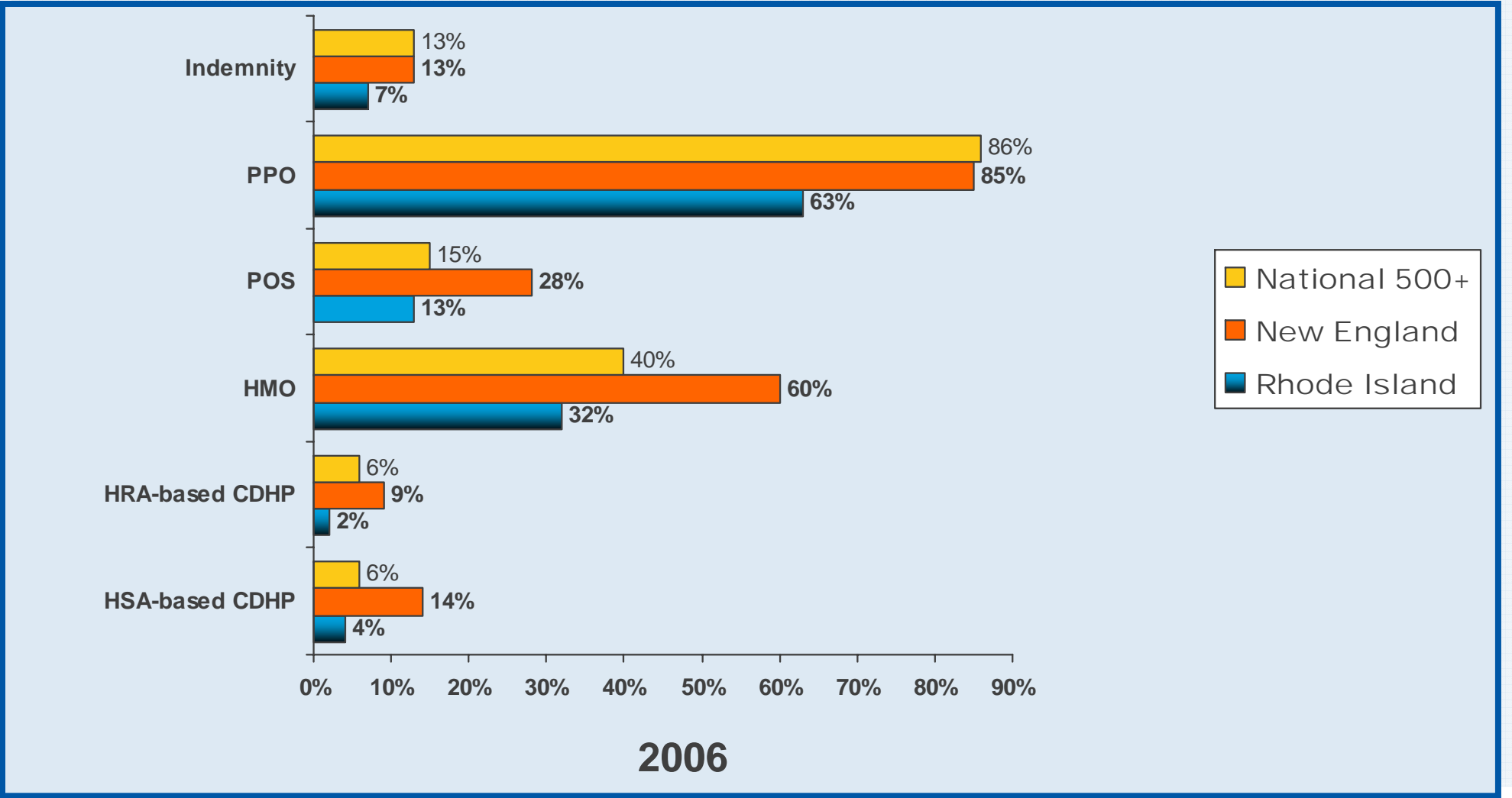
Consumer-directed health plans (CDHP) enrollment grows

Percent of covered employees enrolled

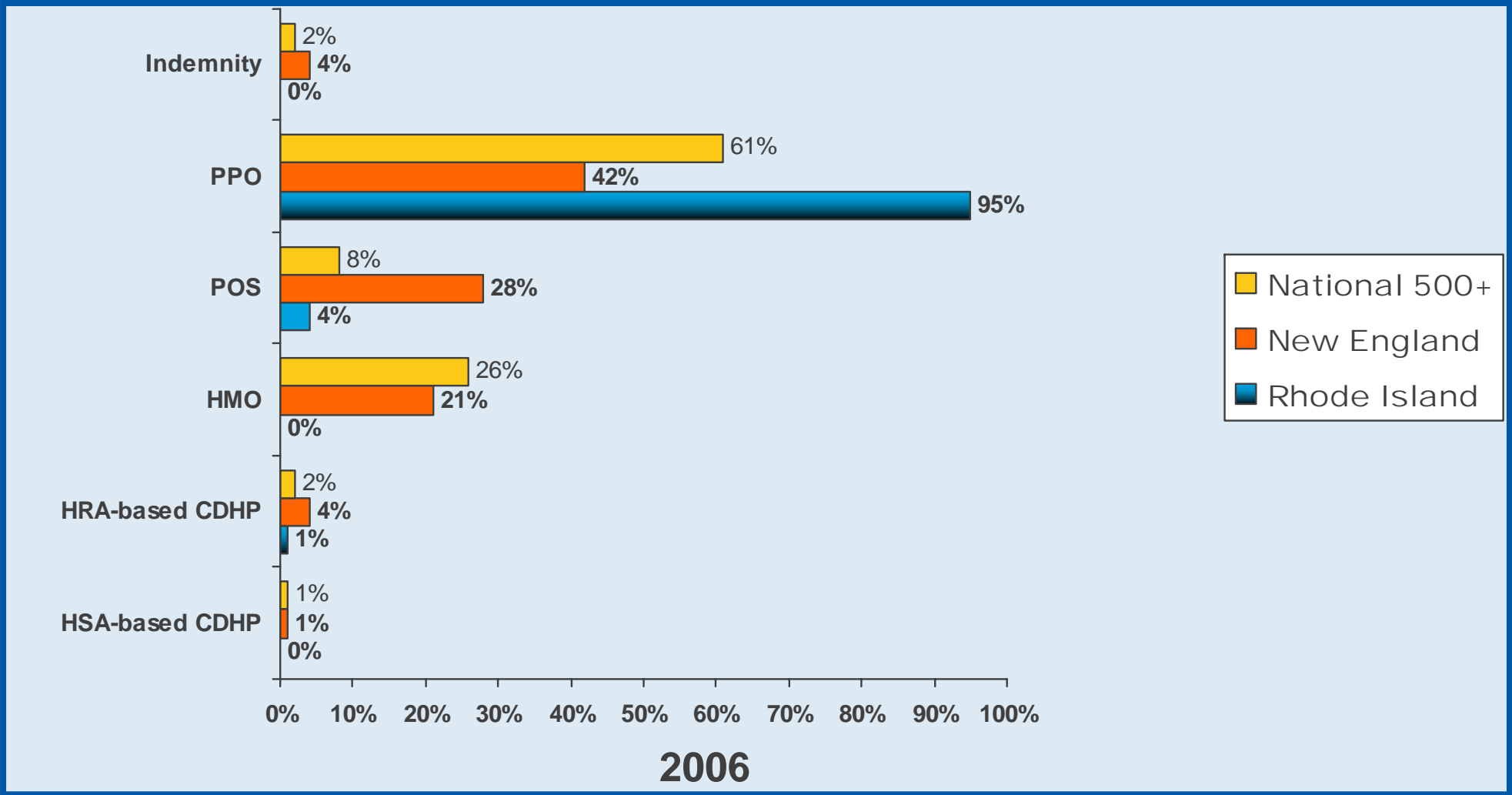




Plans offered by area employers



Employees enrolled in plans offered by area employers



Employees use of care management programs

	Rhode Island	2004	2006
10-499 Employees			
▪ Health risk assessment	89%	13%	21%
▪ Health advocate	50%	14%	21%
▪ Disease management	78%	29%	40%
▪ Nurse advice lines	56%	35%	42%
▪ Catastrophic case management	67%	15%	22%
New England			
500+ Employees			
▪ Health risk assessment	72%	35%	53%
▪ Health advocate	51%	31%	35%
▪ Disease management	81%	58%	65%
▪ Nurse advice lines	79%	59%	67%
▪ Catastrophic case management	85%	59%	63%

Employers see care management, consumerism as top cost management strategies for the next five years

	Strategy will be significant or very significant			
	Rhode Island	New England	10 – 499 employees	500 – 4,999 employees
▪ Care management	70%	84%	42%	69%
▪ Consumerism	78%	66%	42%	63%
▪ Data transparency	50%	51%	34%	32%
▪ High-performance networks	44%	48%	34%	41%
▪ Collective purchasing	44%	33%	45%	38%
▪ Scaling back benefits/ shifting cost to employees	50%	30%	31%	39%

Significant growth in CDHP offerings among small and mid-sized employers in 2006

Percent of employers offering plan

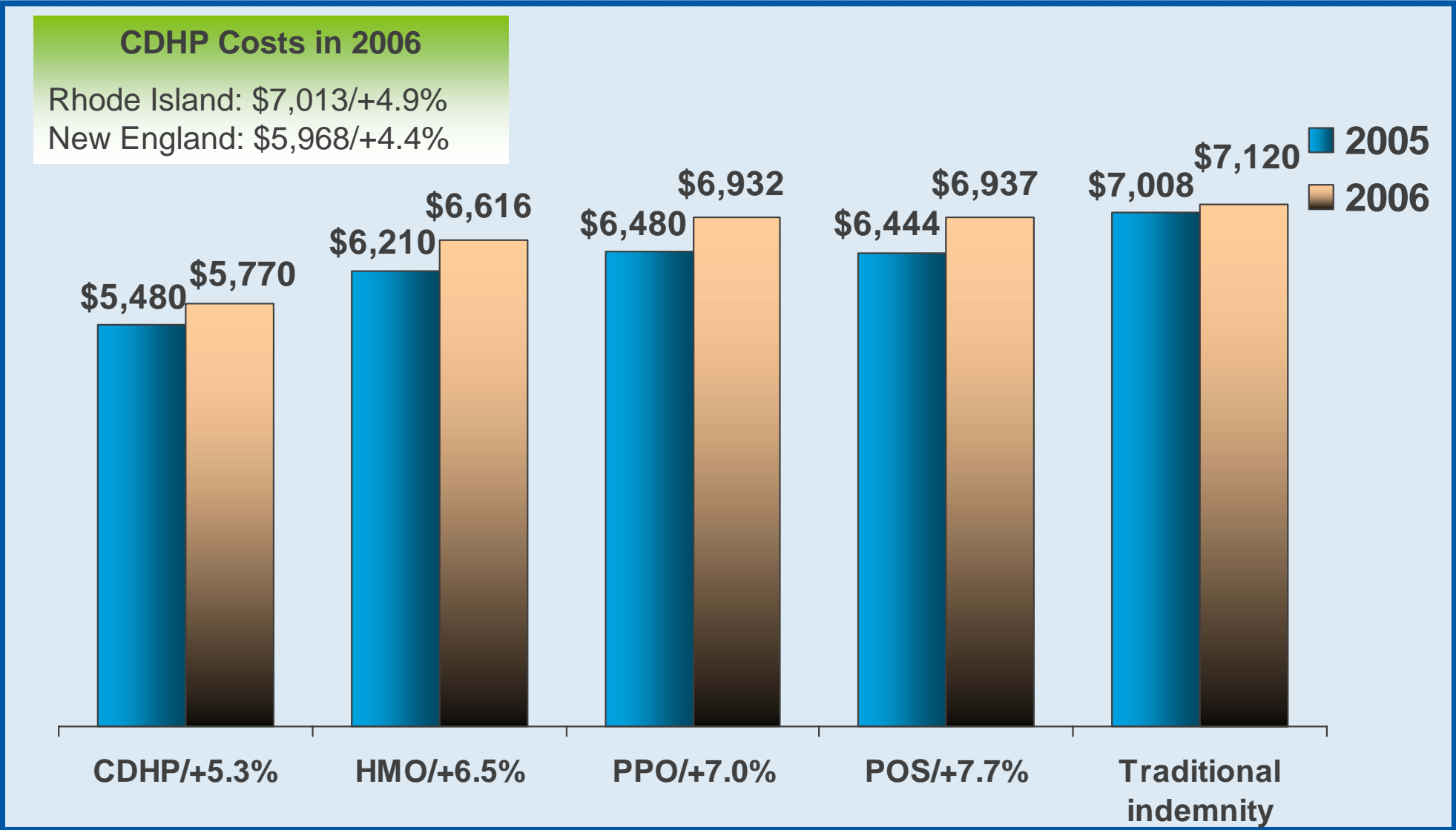
	2006	2005	2004
▪ All employers	6%	2%	1%
▪ 10 – 499 employees	5%	2%	1%
▪ 500 – 4,999 employees	9%	4%	3%
▪ 500 or more employees	11%	5%	4%
▪ 20,000 or more employees	37%	22%	12%
▪ Rhode Island	1%	N/A	N/A
▪ New England	6%	N/A	N/A

HSA-based CDHPs quickly overtaking HRA-based plans

	Offer CDHP in 2006		Very likely to offer CDHP in 2007	
	HSA-based CDHP	HRA-based CDHP	HSA-based CDHP	HRA-based CDHP
▪ 10-499 employees	4%	2%	10%	8%
▪ 500-4,999 employees	5%	5%	9%	9%
▪ 20,000 or more employees	22%	21%	30%	28%

Employers save money with CDHPs

Average cost per employee



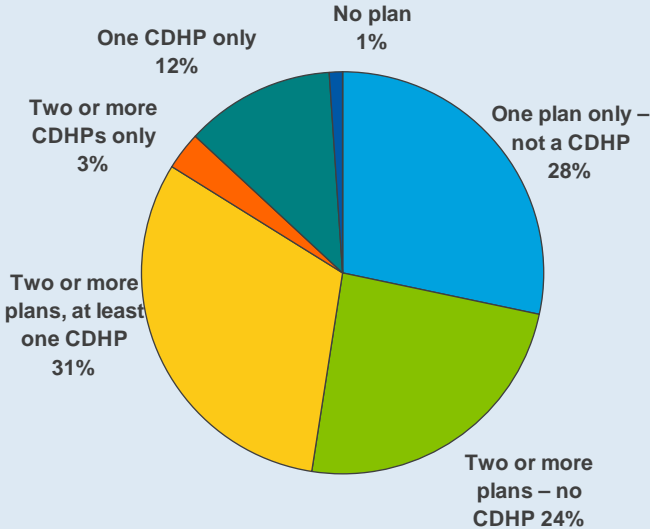
Growth in CDHPs will be fastest among small employers

	Offered in 2006	Likely to offer in 2007*	Likely to offer in 2008*
▪ 10-499 employees	5%	14%	16%
▪ 500-4,000 employees	9%	12%	18%
▪ 20,000 or more employees	37%	39%	43%
▪ Rhode Island	1%	20%	10%
▪ New England	6%	19%	23%

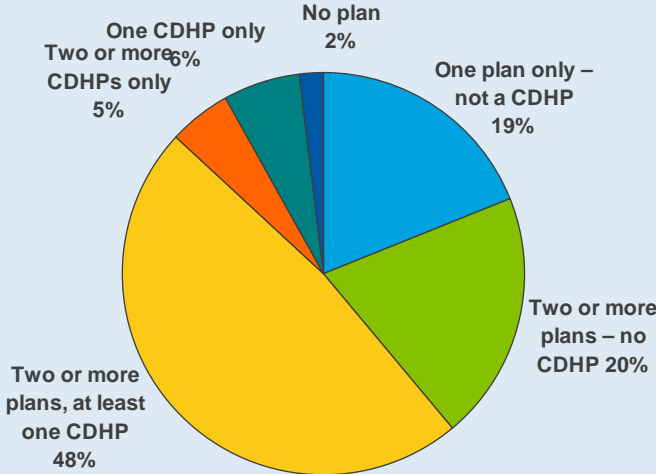
*Selected 5 on a 5-point scale, where 1 = not at all likely and 5 = very likely. Includes employers that currently offer; 2008 figure includes employers likely to offer in 2007.

Employers see CDHPs in their future

Medical plan choices they say they are likely to offer five years from now



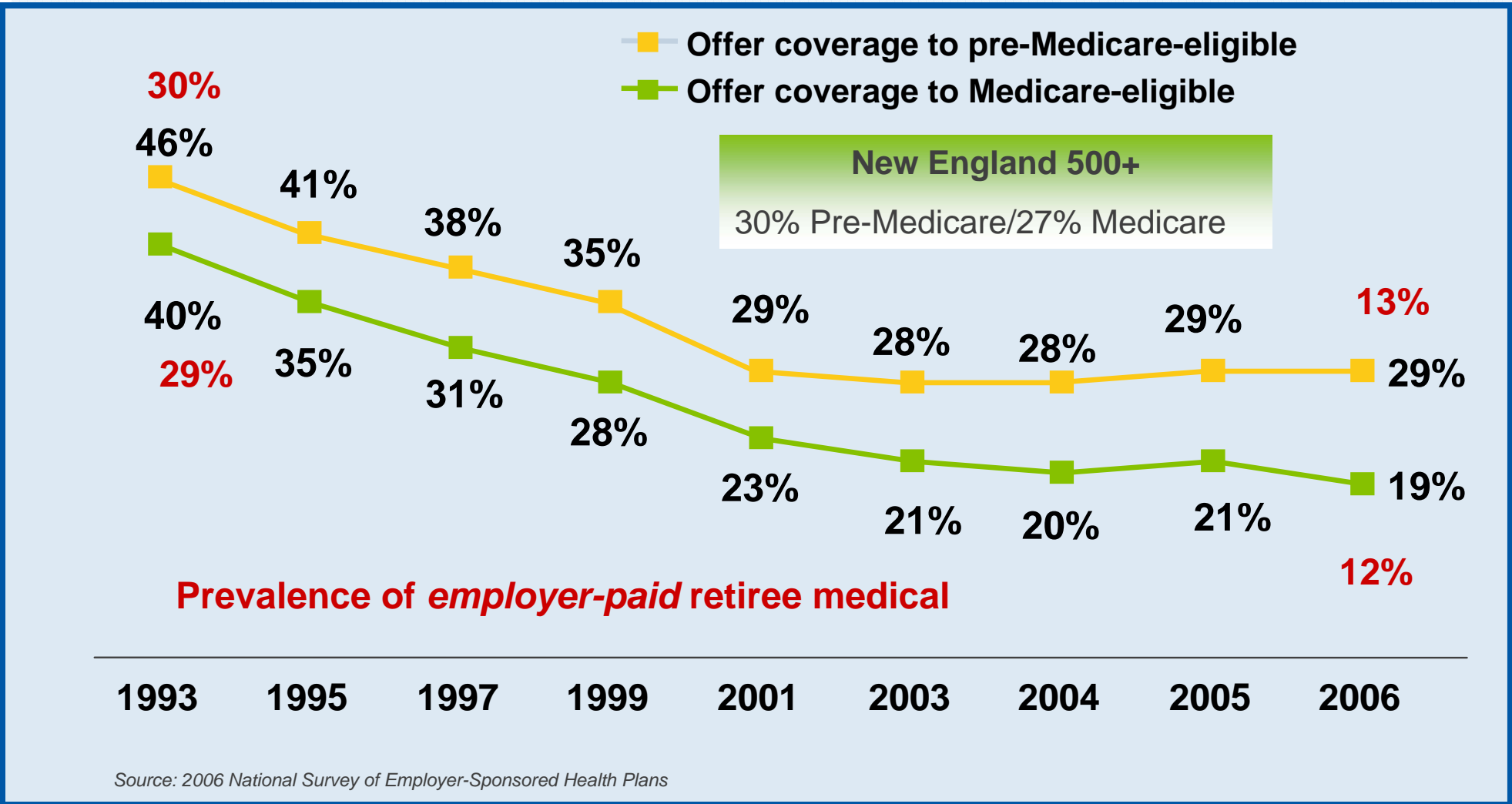
50-499 employees



500-4,999 employees

Prevalence of retiree medical plans

Large employers (500+ employees)



Emerging strategies

Employers with 10,000 or more employees

	Interested/ very interested
▪ Standardized provider quality and efficiency measures	88%
▪ Electronic health records	79%
▪ Global health management	41%
▪ Mini-med or limited health plans	37%
▪ Executive/key employee health management	30%

Outlook for 2007 and 2008

- Little interest in cost-shifting
- Implementing “best practices” care management and measuring results
- Promoting consumerism through CDHPs and other methods
- Growing focus on data transparency and health IT as a means of improving provider quality and cost-efficiency

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